New Income Tax Rule for Senior Citizens

Why in news?

The Central Board of Direct Taxes (CBDT) has revised the rules applicable in case of filing of Form 15 H, allowing Section 87A rebate.

What is Form 15 H?

- The Form 15 H is a declaration under section 197A (1C) of the Income Tax Act.
- This is to be made by an individual who is of the age of 60 years or more claiming certain incomes without deduction of tax, i.e. TDS.
- The form needs to be submitted to any institution such as a bank.
- It deducts TDS if interest income exceeds Rs 50,000 a year (Rs 40,000 for non-senior citizens).

What is Section 87A?

- Under Section 87A of the Income Tax Act, an assessee, being an individual resident in India, whose total income does not exceed Rs 5 lakh, shall be entitled to a deduction.
- This will be a deduction from the amount of income-tax (as before allowing the deductions) on the total income with which s/he is chargeable for any assessment year.
- The deduction will be an amount equal to 100% of such income-tax or an amount of Rs 12,500, whichever is less.

What is the new rule?

- CBDT has notified that the Form 15H declaration will cover the Section 87A rebate.
- The new rule is applicable for the financial year 2019-20.
- The new rule will benefit those senior citizens whose tax liability will be Nil after allowing rebate under Section 87A.
- This means that if they are able to keep their total taxable income within Rs 5 lakh, they will face no tax and will be eligible to file Form 15H.
- Those who have interest income as the only source of income will stand to benefit from this change.

- The new rule will help reduce the running around for tax refund for those who now become eligible for submission of Form 15 H.

Source: Financial Express

CBDT

- The Central Board of Direct Taxes is a statutory authority functioning under the Central Board of Revenue Act, 1963.
- CBDT consists of a Chairman and six Members.
- The officials of the Board in their ex-officio capacity also function as a Division of the Ministry dealing with matters relating to levy and collection of direct taxes.

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